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Message Text

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14
ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 DODE-00 PM-04 H-02 L-03 PA-01 PRS-01

FEA-01 /099 W
---------- 036630
R 040135Z FEB 76
FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WASHDC 2371
INFO AMEMBASSY BANGKOK
AMEMBASSY CANBERRA
AMEMBASSY JAKARTA
AMEMBASSY MANILA
AMEMBASSY LONDON
AMEMBASSY SINAPORE
AMEMBASSY TOKYO

C O N F I D E N T I A L KUALA LUMPUR 0587

E.O. 11652: GDS
TAGS: ETRD PFOR MY
SUBJ: PM AIDE PREDICTS IMPROVEMENT IN FOREIGN INVESTMENT CLIMATE

1. SUMMARY: PARLIAMENTARY SECRETARY TO PM SAYS THAT FOREIGN INVESTMENT IS MAJOR FACTOR IN CONTINUED GROWTH OF MALAYSIAN ECONOMY WHICH IN TURN VITAL TO POLITICAL STABILITY. HE ADMITS THAT FOREIGN INVESTMENT CLIMATE HAS DETERIORATED RECENTLY AND SAYS THAT STEPS WILL BE TAKEN TO ENCOURAGE FUTURE INVESTMENT. THESE INCLUDED TRANSFER OF YOUNG BUREAUCRATS WHO BY INEXPERIENCE HAVE DISCOURAGED INVESTORS AND SHIFTS IN ECONOMIC SIDE OF CABINET SOON, PROBABLY INCLUDING REMOVAL FROM SCENE OF MINISTER OF TRADE AND INDUSTRY HAMZAH AND ENHANCED ROLE FOR
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MINISTER OF PRIMARY INDUSTRIES MUSA HITAM.
END SUMMARY.

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2. IN COURSE OF CALL BY VISITING INR/REA DIRECTOR HOROWITZ, DR. GOH CHEN TEIK, PARLIAMENTARY SECRETARY IN PRIME MINISTER'S DEPT AND NATIONAL FRONT MP, SHARED HIS VIEWS ON CURRENT INVESTMENT CLIMATE IN MALAYSIA AND FUTURE GOM POLICY ON FOREIGN INVESTMENT. GOH BEGAN BY NOTING THAT DISCONTENT OF RURAL POOR IS BASIC CAUSE OF MALAYSIA'S INSURGENCY AND KEY TO SOLUTION OF PROBLEM LIES IN RAISING LIVING STANDARDS OF DISADVANTAGED GROUPS. THIS CAN BE ACHIEVED IF GROWTH OF ECONOMY CONTINUES AT PAST RATES. HE WAS OPTIMISTIC THAT A GROWTH RATE OF 8 PERCENT OR HIGHER CAN BE ACHIEVED DURING PERIOD OF THIRD MALAYSIA PLAN, 1976-80, BECAUSE PAST PLANTINGS OF RUBBER AND PALM OIL WILL COME INTO LARGE SCALE PRODUCTION AND BECAUSE EXTENSIVE EXPLOITATION OF GAS AND OIL DEPOSITS WILL BEGIN. HE SAID MALAYSIA'S POTENTIAL IN LAND SUITABLE FOR AGRICULTURE AND INDUSTRY, HER RAW MATERIAL WEALTH AND HER ENERGETIC AND RELATIVELY CHEAP LABOR FORCE SHOULD ATTRACT LARGE AMOUNTS OF FOREIGN INVESTMENT IN INDUSTRY TO COMPLEMENT INCOME GROWTH FROM PRIMARY SECTOR.

3. GOH ADMITTED, HOWEVER, THAT CLIMATE FOR INVESTMENT IN MALAYSIA AS PERCEIVED BY FOREIGNERS HAS DETERIORATED IN RECENT YEARS, ALTHOUGH HE MAINTAINS THAT LEGAL SITUATION IS, WITH ONLY A FEW EXCEPTIONS, STILL QUITE FAVORABLE TO FOREIGN INVESTMENT. DAMAGE TO PERCEIVED INVESTMENT CLIMATE IS DUE TO INEXPERIENCE, NATIONALISTIC ZEAL AND INSENSITIVITY OF SOME YOUNG BUREAUCRATS, ESPECIALLY AT MINISTRY OF TRADE AND INDUSTRY. HE SAID THAT STRONG SENTIMENT (UNIDENTIFIED) IN PM'S OFFICE FAVORS NEUTRALIZING HARM DONE TO INVESTMENT CLIMATE AND HE HINTED THAT THOSE RESPONSIBLE, INCLUDING
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MINISTER OF TRADE AND INDUSTRY DATUK HAMZAH BIN DATUK ABU SAMAH, BROTHER-IN-LAW OF LATE PM RAZAK, WILL BE DISMISSED OR TRANSFERRED OUT SOON. HE ALSO LEFT STRONG IMPRESSION THAT MINISTER OF PRIMARY INDUSTRIES DATUK MUSA HITAM WILL PLAY MORE IMPORTANT ROLE IN ECONOMIC POLICY OF GOVERNMENT.

4. COMMENT: WHILE GOH ADMITTED FOREIGN INVESTMENT CLIMATE IN MALAYSIA HAS DETERIORATED, HE DID NOT MENTION ALL FACTORS RESPONSIBLE FOR DETERIORATION,

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INCLUDING SECURITY SITUATION AND HARMFUL EFFECTS OF AMENDMENTS
TO PETROLEUM ACT AND INTRODUCTION OF INDUSTRIAL COORDINATION
ACT. HIS SOLUTIONS FOR IMPROVEMENT OF CLIMATE
LIKEWISE NOT COMPREHENSIVE. SIGNIFICANCE OF
HIS COMMENTS LIES IN REFLECTION OF UNDER-
STANDING WITHIN OFFICE OF PM OF IMPORTANCE
OF CONTINUED FOREIGN INVESTMENT TO MALAYSIA'S
FUTURE ECONOMIC AND POLITICAL STABILITY AND
DETERMINATION TO IMPROVE CLIMATE TO INCREASE
INVESTMENT. EMBASSY HAS BEEN GETTING SIGNALS
RECENTLY THAT SOME ELEMENTS OF GOM ARE
DETERMINED UNDO HARMFUL EFFECTS OF PAST YEAR
AND IT IS ENCOURAGING THAT COMMITMENT REFLECTED
AT THIS HIGH LEVEL.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC GROWTH, FOREIGN INVESTMENT, INVESTMENT CLIMATE, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976KUALA00587
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760041-0744
From: KUALA LUMPUR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760284/aaaacvns.tel
Line Count: 130
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 19 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 MAY 2004 by ellisoob>; APPROVED <16 SEP 2004 by SmithRJ>
Review Markings:

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Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PM AIDE PREDICTS IMPROVEMENT IN FOREIGN INVESTMENT CLIMATE
TAGS: ETRD, PFOR, MY, (GOH CHEN TEIK)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006